Ascot Group Limited

Financial Condition Report

For the year ended December 31, 2022

Ascot Group Limited
Financial Condition Report
Year ended December 31, 2022

Prepared in accordance with the reporting requirements of the Bermuda Monetary Authority

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Executive Summary

The Financial Condition Report ("FCR") covers the Business and Performance, Governance Structure, Risk Profile, Solvency Valuation and Capital Management of Ascot Group Limited ("Ascot", 'Ascot Group", "AGL", or "the Company") and its subsidiaries (collectively referred to as the "Group"), as well as Ascot Bermuda Limited ("ABL").

This FCR, with permission from the Bermuda Monetary Authority ("Authority"), includes the results and discussion of both AGL and ABL (AGL's designated insurer). Distinction between the two entities has been made in reporting financial results and discussing materially different operational and governance processes. Areas of the report which are the same across the Group are mentioned only once in this report.

This FCR has been prepared in accordance with the Bermuda Insurance (Public Disclosure) Rules 2015 and the Insurance (Group Supervision) Rules 2011.

AGL was incorporated in Bermuda on September 8, 2016. AGL acts primarily as the ultimate holding company of ABL, Ascot Underwriting Group Limited ("AUGL") and Ascot Insurance Holdings Limited ("AIHL").

ABL was incorporated in Bermuda on September 8, 2016, and operates as a Class 3B insurance and reinsurance company regulated by the Bermuda Monetary Authority providing both third party insurance and reinsurance and quota share reinsurance to Ascot Corporate Name Limited ("ACNL").

AUGL (a U.K. domiciled company) operates as a holding company for a number of entities including ACNL which is a U.K. domiciled company providing underwriting capacity as the corporate member for Syndicate 1414 ("the Syndicate") at Lloyd's.

AIHL (a U.K. domiciled company) operates as a holding company for Ascot Insurance Company ("AIC") and Ascot Specialty Insurance Company ("ASIC"). AIC and ASIC write admitted and non-admitted business in the United States. AIC and ASIC commenced underwriting operations on January 1, 2019. In 2021, AIC acquired AmFed National Insurance Company ("AmFed"), a Mississippi workers' compensation insurance company, and Ascot Surety & Casualty Company ("ASC") (formerly Boston Indemnity Company), a U.S. Treasury-listed insurance carrier. Collectively, the operations of AIC, ASIC, AmFed and ASC are referred to as the "U.S. Group".

AIHL also operates as a holding company for Ethos Specialty Insurance Services LLC ("Ethos"), a managing general underwriter ("MGU").

Canada Pension Plan Investment Board ("CPP Investments") is the principal shareholder of AGL.

Business and Performance

Ascot Group is a global insurance and reinsurance organization offering a broad range of specialty insurance and reinsurance products to customers worldwide through underwriting platforms in the U.K., Bermuda, and the U.S. For the year ended December 31, 2022, Ascot's gross premiums written was $3,577 million, with $1,678 million (47%) written by the U.K platform, $1,063 million (30%) written by the Bermuda platform and $849 million (23%) written by the U.S. platform.

Ascot Group manages its operations through four business platforms:

1. U.K. platform, which operates through Syndicate 1414 at Lloyd's. The principal lines of business written by Syndicate 1414 are Aviation War, Cargo, Casualty, Energy, Healthcare, Marine Hull and Liability, Personal Accident, Political Risk and Terrorism, Professional Indemnity, Property, Space, Specie and Fine Art insurance & Treaty reinsurance. Ascot Underwriting Limited ("AUL") is the managing agent of Syndicate 1414 and the underwriting capacity is provided by ACNL.
2. Bermuda platform, which principally operates through ABL. ABL commenced underwriting operations in 2018 and writes Property and Casualty insurance and reinsurance. ABL's principal product lines are Property reinsurance, Casualty and Specialty reinsurance, Excess Casualty insurance and Financial Lines insurance.
3. U.S. platform, which operates through the U.S. Group. The U.S. Group is licensed to write business across all 50 U.S. states and Washington, D.C. The U.S. platform is focused in three areas; Specialty insurance, Financial Lines insurance and Portfolio Solutions. The Specialty Lines include Ocean Marine, Inland Marine, Environmental, Excess & Surplus Casualty, Excess Casualty and Workers' Compensation. The Financial Lines of insurance include Management Liability, Financial Institutions, Cyber, Errors and Omissions ("E&O"), Surety and Trade Credit. Portfolio Solutions offers a broad range of capacity for MGAs, MGUs, Captives and other organizations looking for a long-term risk assumption partner.
4. Ethos, which is a managing general underwriter ("MGU") formed in 2017. Ethos manages specialty insurance programs on behalf of third-party carriers and affiliated entities. Ethos is a licensed surplus lines broker in all 50 U.S. states and Washington, D.C. and is also a Lloyd's coverholder. Its principal product lines are Mergers and Acquisitions Representations and Warranties, Casualty and Property.

Through its indirect ownership of the operating insurance companies of the Group, ABL consolidates all of the underwriting and investing operations of the Ascot Group and therefore the financial information provided in this financial condition report for Ascot Group is not repeated for ABL unless materially different.

Name of Insurance Group

Ascot Group Limited

Designated Insurer

Ascot Bermuda Limited

Approved Group Supervisor

Insurance Supervisor
Bermuda Monetary Authority
BMA House
43 Victoria Street, Hamilton
Bermuda

Approved Group Auditor

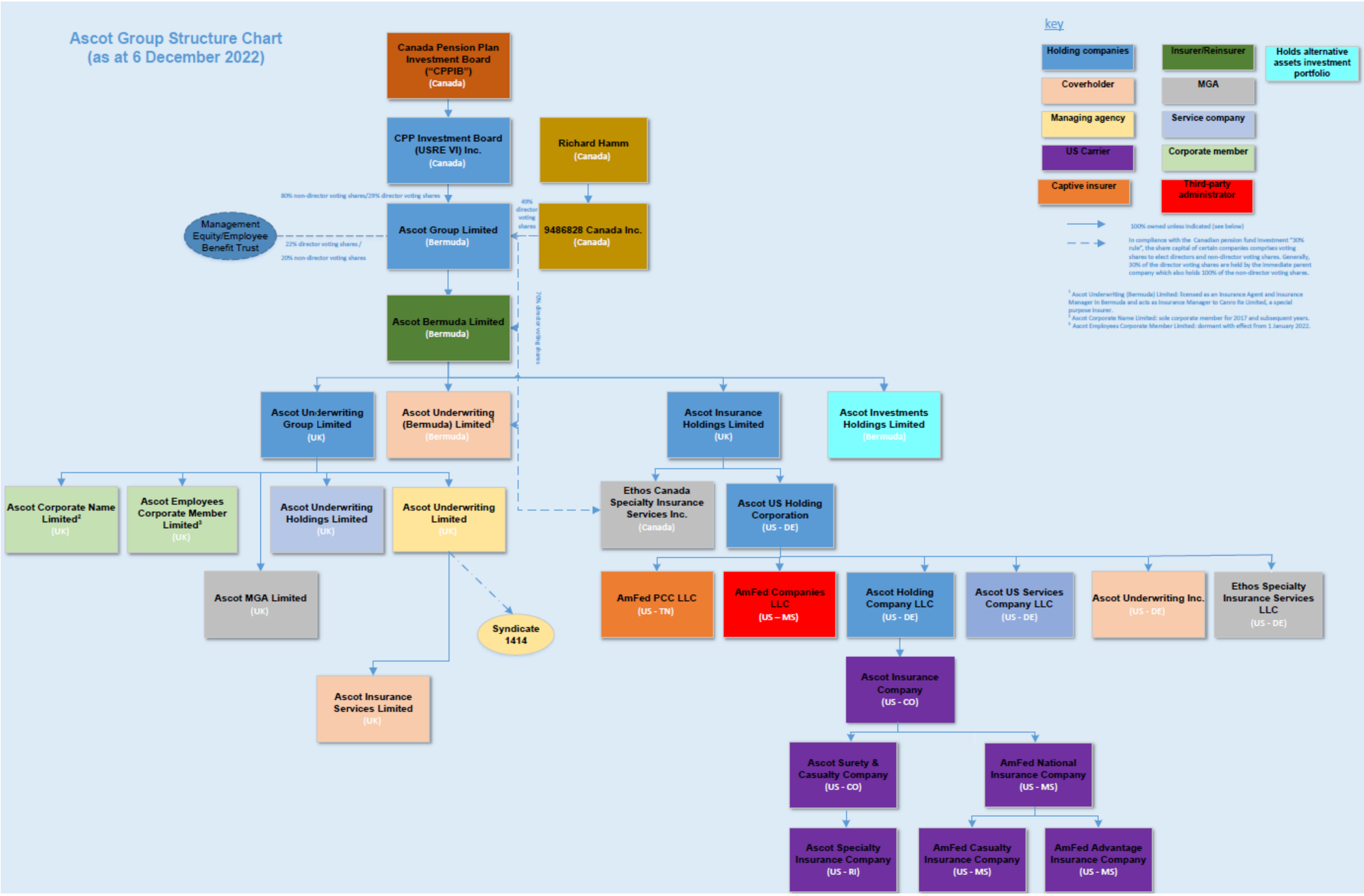
Deloitte Ltd, Corner House,
20 Parliament Street,
Hamilton.
Bermuda

Ownership Details

Canada Pension Plan Investment Board ("CPP Investments") is the principal shareholder of AGL.

Group Structure

The Group's structure is summarized in the chart below, including country of incorporation


Ascot Group Structure Chart
(as at 6 December 2022)
key
Holding companies
Insurer/Reinsurer
Holds alternative assets investment portfolio
Coverholder
MGA
Managing agency
Service company
US Carrier
Corporate member
Captive insurer
Third-party administrator
100% owned unless indicated (see below)
In compliance with the Canadian pension fund investment "30% rule", the share capital of certain companies comprises voting shares to elect directors and non-director voting shares. Generally, 30% of the director voting shares are held by the immediate parent company which also holds 100% of the non-director voting shares.
1 Ascot Underwriting (Bermuda) Limited: licensed as an Insurance Agent and Insurance Manager in Bermuda and acts as Insurance Manager to Canro Re Limited, a special purpose insurer.
2 Ascot Corporate Name Limited: sole corporate member for 2017 and subsequent years.
3 Ascot Employees Corporate Member Limited: dormant with effect from 1 January 2022.
Canada Pension Plan Investment Board ("CPPIB") (Canada)
CPP Investment Board (USRE VI) Inc. (Canada)
Richard Hamm (Canada)
80% non-director voting shares/29% director voting shares
49% director voting shares
Management Equity/Employee Benefit Trust
22% director voting shares / 20% non-director voting shares
Ascot Group Limited (Bermuda)
9486828 Canada Inc. (Canada)
70% director voting shares
Ascot Bermuda Limited (Bermuda)
Ascot Underwriting Group Limited (UK)
Ascot Underwriting (Bermuda) Limited1 (Bermuda)
Ascot Insurance Holdings Limited (UK)
Ascot Investments Holdings Limited (Bermuda)
Ascot Corporate Name Limited2 (UK)
Ascot Employees Corporate Member Limited3 (UK)
Ascot Underwriting Holdings Limited (UK)
Ascot Underwriting Limited (UK)
Ethos Canada Specialty Insurance Services Inc. (Canada)
Ascot US Holding Corporation (US - DE)
Ascot MGA Limited (UK)
Syndicate 1414
Ascot Insurance Services Limited (UK)
AmFed PCC LLC (US - TN)
AmFed Companies LLC (US – MS)
Ascot Holding Company LLC (US - DE)
Ascot US Services Company LLC (US - DE)
Ascot Underwriting Inc. (US - DE)
Ethos Specialty Insurance Services LLC (US - DE)
Ascot Insurance Company (US - CO)
Ascot Surety & Casualty Company (US - CO)
AmFed National Insurance Company (US - MS)
Ascot Specialty Insurance Company (US - RI)
AmFed Casualty Insurance Company (US - MS)
AmFed Advantage Insurance Company (US - MS)

Business Written

Ascot Group offers specialty insurance and property and casualty reinsurance coverage in North America, Europe and Asia.

Gross premiums written by BMA prescribed class of business for the years ended December 31, 2022, and 2021:

$000	**For the year ended December 31, 2022**	**For the year ended December 31, 2021**
Property Catastrophe	694,402	585,303
Property	283,029	209,020
Marine & Energy	524,012	448,231
Casualty	1,399,822	1,276,043
Specialty	-	51,401
Personal Accident	13,112	14,462
Credit / Surety	338,016	30,372
Professional	316,559	221,362
Aviation	7,963	-
Total	**3,576,915**	**2,836,194**

Source: BSCR Schedule IVA (EBS)

Net premiums written by BMA prescribed class of business for the years ended December 31, 2022, and 2021:

$000	**For the year ended December 31, 2022**	**For the year ended December 31, 2021**
Property Catastrophe	432,467	380,976
Property	204,668	164,136
Marine & Energy	421,281	351,113
Casualty	1,008,354	903,461
Specialty	-	32,439
Personal Accident	11,115	11,932
Credit / Surety	316,595	13,967
Professional	201,519	123,562
Aviation	3,476	-
Total	**2,599,475**	**1,981,586**

Source: BSCR Schedule IVA (EBS)

Net premiums written by geographic area for the years ended December 31, 2022, and 2021:

$000	**For the year ended December 31, 2022**	**For the year ended December 31, 2021**
North America	1,859,980	1,551,220
Europe	329,791	261,736
Asia & Oceania	322,675	149,304
Rest of World	87,029	19,326
Total	**2,599,475**	**1,981,586**

Source: Schedule IVC (EBS)

Investment Performance

The Ascot Group invests in high quality fixed income securities, highly liquid short-term investments and cash and cash equivalents.

The Ascot Group's cash and cash equivalents are on deposit with various reputable financial institutions located principally in Bermuda, the U.S. and the U.K.

The investment portfolio is managed by external investment managers in accordance with investment guidelines. Invested assets are held by an independent third-party custodian.

The average asset quality of the investment portfolio is AA-, and the average duration of the investment portfolio is 2.6 years.

The Ascot Group limits credit risk through diversification, by limiting exposure to issuers based on credit rating. Some of the key limits within the investment guidelines are:

- Excluding securities issued by Sovereigns and Sovereign agencies rated AA- or better, the Company limits its concentration of credit risk to any single issuer to 2% or less of its investment portfolio.
- Limiting the Company exposure to non-investment grade fixed maturities to less than 15% of its investment portfolio.
- Exposure to equities is limited to less than 20% of its investment portfolio.
- Illiquid investments are limited to 10% of its investment portfolio.
- A minimum average portfolio quality of A- is required for fixed maturity securities.

The fair value of investments and performance of our investment portfolio for the years ended December 31, 2022 and 2021 are outlined in the following table. Investment performance is calculated as the net investment income divided by the average (determined using the opening and closing position) fair market value of the portfolio.

For the year ended December 31, 2022	**Investment Income $000**	**Market Value $000**	**Performance %**
Fixed maturity securities	63,793	3,417,345	2.02%
Other investments	(3,712)	144,127	(2.74)%
Short term investments	2,984	292,162	1.53%
Cash and cash equivalents	6,849	457,858	1.46%
Total gross investment income	**69,914**	**4,311,492**	**1.77%**
Investment expenses	(3,510)	-	-
Net investment income	**66,404**	**4,311,492**	**1.68%**

Source: US GAAP consolidated Financial Statements (except performance percentages for which the calculation basis is stated above).

For the year ended December 31, 2021	**Investment Income $000**	**Market Value $000**	**Performance %**
Fixed maturity securities	43,107	2,903,702	1.64%
Other investments	2,377	127,084	2.42%
Short term investments	935	98,446	1.23%
Cash and cash equivalents	626	478,767	0.12%
Total gross investment income	**47,045**	**3,607,999**	**1.42%**
Investment expenses	(2,920)	-	-
Net investment income	**44,125**	**3,607,999**	**1.34%**

Source: US GAAP consolidated Financial Statements (except performance percentages for which the calculation basis is stated above).

Material Income and Expense for the Reporting Period

Material income for the Group is from the earnings of premiums written generated from the Group's underwriting activities (net of reinsurance purchased to reduce exposure to significant losses), investment income generated from its investment activities and fee income principally generated from its MGU, Ethos. The Group is also impacted by realized and unrealized gains or losses on its investment portfolio which are recorded in net income.

The net premiums earned for the year ended December 31, 2022 was $2,305$ million compared to $1,576 million for the year ended December 31, 2021. This $729m (or 46.3%) increase was driven principally by growth in all the Group's segments – UK, Bermuda and US. The growth in the U.S. was driven by new lines of business (workers' compensation and surety) along with positive rate environment for many of the existing lines of business. Bermuda continued its growth principally in casualty lines and the UK benefitted from continued rate driven growth.

Material expenses comprise claims, acquisition costs and operational expenses. In 2022, the Group was impacted by catastrophe losses of $216.5 million (net of reinsurance and reinstatement premiums) principally from Hurricane Ian, the conflict in Ukraine and Winter Storm Elliott. In 2022, the Group recorded $155.3 million of net unfavorable development of prior year reserves. This unfavorable development of prior year reserves was principally in the Company's property lines of business and related to various catastrophe events in 2020 and 2021 accident years and certain per risk losses in the 2019 to 2021 accident years. The Company has experienced an increase in frequency and severity of large per risk losses. The estimation of these losses is complex due to both the location of loss, supply chain challenges and inflationary pressures. In 2021, the Group was exposed to significant industry wide catastrophe losses (principally Texas Winter Storm Uri, European floods and Hurricane Ida) and recorded net losses and loss expense (net of reinstatement premiums) of $215.5 million for these events.

The Group generated a net loss of $302.5 million for the year ended December 31, 2022, compared to a net loss of $29.7 million for the year ended December 31, 2021. The main drivers for the loss were unrealized losses on the investment portfolio generated by a decrease in the fair value of the Group's fixed maturity investment portfolio as a result of rising interest rates. The Group's financial results for the years ended December 31, 2022 and 2021, are presented below:

ASCOT GROUP LIMITED
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
	(in thousands U.S. dollars)	
REVENUES		
Gross premiums written	$ 3,576,914	$ 2,836,195
Reinsurance premiums ceded	(977,439)	(854,608)
Net premiums written	2,599,475	1,981,587
Earned premiums	3,240,719	2,282,796
Earned premiums ceded	(935,715)	(706,702)
Net premiums earned	2,305,004	1,576,094
Net investment income	66,404	44,125
Net realized and unrealized losses on investments	(280,712)	(67,355)
Other income	22,007	28,401
TOTAL REVENUES	**2,112,703**	**1,581,265**
LOSSES AND EXPENSES		
Net incurred losses and loss adjustment expenses	1,555,761	980,042
Acquisition costs	494,917	323,907
General and administrative expenses	328,149	271,878
Interest expense	17,540	17,563
Amortization of intangible assets	7,136	6,609
Net foreign exchange losses	15,208	5,714
TOTAL LOSSES AND EXPENSES	**2,418,711**	**1,605,713**
LOSS BEFORE TAXES	**(306,008)**	**(24,448)**
Income tax benefit (expense)	3,462	(5,242)
NET LOSS	**$ (302,546)**	**$ (29,690)**
Other comprehensive income (loss), net of tax		
Foreign currency translation adjustment	(2,899)	(191)
Total other comprehensive income (loss), net of tax	(2,899)	(191)
COMPREHENSIVE LOSS	**$ (305,445)**	**$ (29,881)**

Any Other Material Information

None.

Governance Structure

Ascot has established and continues to maintain a sound corporate governance framework that includes principles on levels of authority, accountability, responsibility, compliance, and oversight. Ascot's governance framework has regard for international best practice on effective corporate governance. AGL and ABL also comply with the BMA's Insurance Code of Conduct under Section 4 of the Insurance Act 1978 and the Insurance (Group Supervision) Rules 2011, as applicable. The companies are further guided by the BMA Guidance Note on Corporate Governance March 2005.

Ultimate responsibility for sound and prudent governance rests with the respective Boards of Directors of AGL and ABL. The Boards are responsible for ensuring that corporate governance policies and practices are developed and applied in a prudent manner. To guide the Boards' responsibilities, the companies have documented bye-laws, Governance Manuals, Board Terms of Reference, Board Committee Terms of Reference and organisational charts. The Boards meet regularly throughout the year and operate within the established governance framework and within their terms of reference. The Boards are supplied with appropriate and timely information to enable them to review business strategy, trading performance, business risks and opportunities. The Boards undertake to periodically review the effectiveness of the companies' governance frameworks together with the Board's own effectiveness and performance. The AGL Board has appointed and authorised a number of committees to manage aspects of the Group's affairs. Each committee operates within established written terms of reference and each committee Chairperson reports directly to the Board.

The governance structure in place is centered around Bermuda, the domicile of both AGL and ABL. The operations of AGL and ABL are directed from Bermuda and the meetings of the Boards of Directors, and its subcommittees (where relevant) are held there. Members of the AGL executive management team are in different offices across the Group including Bermuda, London and New York.

Board and Senior Executive

a) *Board and Senior Executive Structure, role, responsibilities and segregation of responsibilities*

AGL Board of Directors

As of April 30, 2023 the AGL Board comprises of the following:

Name	Position
Neill Currie	Executive Chairperson
Jonathan Zaffino[1]	Group President & Group Chief Executive Officer
Andrew Brooks[1]	Non-Executive Director
Peter Busse[1]	Non-Executive Investor Director
Mary Chen[1]	Non-Executive Investor Director
Katherine Chung	Non-Executive Investor Director
Thomas Kalvik	Non-Executive Investor Director
Samuel Blaichman	Non-Executive Investor Director
Sir Richard Dearlove	Non-Executive Independent Director
Joseph Roberts	Group Chief Financial Officer
Susan Sutherland	Non-Executive Independent Director
Murray Wallace	Non-Executive Independent Director

[1]Jonathan Zaffino was appointed Group Chief Executive Officer on February 5, 2023, following the retirement of Andrew Brooks as Group Chief Executive Officer. Andrew Brooks remains on the Board as a Non-Executive Director. Peter Busse and Mary Chen were appointed as Non-Executive Investor Directors on February 5, 2023.

AGL Executive Management Team ("Group Executive Team")

As of April 30, 2023, the AGL Executive Management Team comprises of the following:

Name	Position
Jonathan Zaffino	Group President & Group Chief Executive Officer
Elizabeth Johnson[1]	Chief Operating Officer, North America
Matthew Kramer[1]	Chief Executive Officer, Ascot U.S.
Mark Pepper	Group Chief Underwriting Officer
Joseph Roberts	Group Chief Financial Officer
Mark Smith	Group Chief Risk Officer
Ian Thompson[1]	Chief Executive Officer, ABL

[1]Ian Thompson, Elizabeth Johnson, and Matthew Kramer were appointed to the AGL Executive Management Team/Committee effective March 21, 2023.

ABL Board of Directors

As of April 30, 2023, the ABL Board comprises of the following:

Name	**Position**
Neill Currie	Chairperson of the Board
Samuel Blaichman	Non-Executive Investor Director
Mary Chen[1]	Non-Executive Investor Director
Katherine Chung	Non-Executive Investor Director
Thomas Kalvik	Non-Executive Investor Director
Simon Kimberley	Executive-Director Chief Underwriting Officer - Property, Ascot Bermuda
Joseph Roberts	Executive-Director Chief Financial Officer, Ascot Group and Ascot Bermuda
Ian Thompson	Executive-Director Chief Executive Officer, Ascot Bermuda
Jonathan Zaffino	Executive-Director Chief Executive Officer and President, Ascot Group

[1] Mary Chen and Samuel Blaichman were appointed as ABL Non-Executive Investor Directors on 6 February 2023.

ABL Senior Management and Officers

As of April 30, 2023, the ABL Senior Management and Officers comprises of the following:

Name	**Position**
Ian Thompson	Chief Executive Officer
Alexander D'Urso	Chief Risk Officer
Elizabeth Duncan	Financial Controller
Michael Grayston	Treasurer
Simon Kimberley	Chief Underwriting Officer - Property
Justin Keith	Chief Underwriting Officer – Casualty & Specialty
Joseph Roberts	Chief Financial Officer

Responsibilities of the Board

The operational management of the Company is delegated to the executive management team and the functional and risk control committees of management with oversight by the Board, who establish the strategy for the executive management to implement.

The Board monitors and oversees the Company's operations, ensuring competent and prudent management, sound planning, and proper procedures for the maintenance of adequate accounting and other records and systems of internal control and for compliance with statutory and regulatory obligations.

The directors of the Board serve as the elected representatives of the current and future shareholders, act as advisers to the Group Chief Executive Officer and senior management and oversee management's performance on behalf of the shareholders. In performing its general oversight function, the Board will:

- Challenge the composition of any Board committee to ensure there is sufficient skill, knowledge, and independence for the committee to fulfil its terms of reference.
- Set the risk appetite of the Company and have ultimate ownership of all risks identified as key for the Company (and consider these when setting Company strategy and future business plans).
- Ensure that the necessary financial and human resources are in place for the Company to meet its objectives.
- Review reports regularly submitted by management with respect to business performance, as well as significant events, issues and risks that may affect business or financial performance.
- Agree the investment strategy, guidelines and policy and select benchmarks for annual approval.
- Monitor the management of the investments of the Company and ensure that adequate systems and procedures are in place to provide the necessary control framework and management information about assets held by the investment manager.
- Recommend and set risk asset definitions and risk tolerance levels.

The operational management of ABL is delegated to the ABL executive management team, with the leadership of the ABL Chief Executive Officer. The responsibilities of the ABL Board, Board Chair, Chief Executive Officer, Directors, Non-Executive Directors, and executive management team are consistent with those described for AGL to the extent they are relevant.

Responsibility of Directors

Although there is no statutory prescription in the Bermuda Companies Act 1981 (the 'Act') setting out the statutory duties of a director, its provisions together with regulations and the Company's bye-laws, describe the scope of Directors' duties.

Under the Act every Director in exercising their powers and discharging their duties shall:

- Act honestly and in good faith with a view to the best interests of the Company.
- Exercise the care, diligence, and skill that a reasonably prudent person would exercise in comparable circumstances.

Additional Responsibilities of the Non-Executive Directors

Non-Executive Directors shall constructively challenge and help develop proposals on the business strategy. They will scrutinise the performance of management in meeting agreed goals and objectives. They must satisfy themselves of the integrity of financial information and that the financial controls and systems of risk management are robust and defensible.

Non-Executive Directors will also ensure:

- Their conduct is in accordance with the Company's Staff Handbook.
- They participate in appropriate training to meet their commitments.
- They regularly prepare for, attend meetings, and actively contribute, including follow-up where appropriate.
- Act as mentors to management as appropriate.

Composition of the Board

The AGL and ABL Board's should have the appropriate balance of skills, experience, independence, and knowledge to enable them to discharge their duties and responsibilities effectively, including the appointment of non-executive directors to provide informed challenge. Furthermore, the Board's should be of sufficient size that the requirements of the business can be met and that changes to the composition of the Boards can be managed without material disruption, however, it should not be so large as to be unwieldy.

In addition, the AGL Board should also comprise a balance of Independent Non-Executive, Investor and Executive Directors such that no individual or group of directors can dominate the Board's decision making.

Board-Level Committees

The AGL Board has established and maintains the following Board-Level Committees:

- Audit Committee whose role is to review and monitor:
    - the integrity of the financial statements of the Company.
    - the effectiveness of the Company's internal controls.
    - the adequacy of reserves.
    - the effectiveness of the internal audit process and the relationship with the internal auditor.
    - the effectiveness of the external audit process and the relationship with the external auditor.

- Investment Committee whose role is to monitor the management and performance of the investment strategy of the Group within the risk framework and in relation to appropriate benchmarks.

- Remuneration Committee whose role is to undertake certain activities in relation to the remuneration of Company and Group personnel, and together with the Nomination & Governance Committee, the oversight of succession planning for the Board and of the Company's executive management team. In conjunction with the Nomination & Governance Committee, the Remuneration Committee evaluates performance and succession planning. The Remuneration Committee is primarily responsible for performance plans, reviews, and assessments.

- Nomination & Governance Committee whose role is to undertake certain activities in relation to the nomination of directors to the Board, the evaluation of the effectiveness of the Board, and, together with the Remuneration Committee, the oversight of succession planning for the Board and the Group's executive management team. The Committee takes a leadership role in shaping the corporate governance of the Company and the conduct of the Board. In conjunction with the Remuneration Committee, it evaluates performance and succession planning. It has primary oversight over policies and procedures, particularly with respect to succession planning.

The Board–Level Committees undertake activities for AGL and ABL.

The AGL Board of Directors maintains and exercises ultimate authority over and accountability for the strategic and business decisions of the Group, the risk control framework, business performance and compliance with legal and regulatory obligations.

The Board consists of the Executive Chairman, Executive and Non-Executive Directors. The role of the Chairman of Ascot Group is separate from that of the Chief Executive Officer. The composition of AGL 's Board reflects the range of skills, knowledge, and experience necessary for the Board to be effective. The objective in determining the Board's composition is to ensure an appropriate level of skill and capability that provides both appropriate challenge and guidance to management.

The Board is guided by the Company's Byelaws and Board Terms of Reference. The Board generally meets quarterly in Bermuda and operates within the established governance framework. The Board is supplied with appropriate and timely information which enables them to perform their duties.

The governance structure described and embedded within the Company is continually reviewed to ensure it continues to meet the needs of the business and the expectations of external parties such as regulators including the BMA, and rating agencies including AM Best.

An independent review of the governance system is performed by Internal Audit. This occurs at two levels; firstly, a scheduled specific governance review within a rolling three-year Internal Audit program;

secondly compliance with the governance system is assessed when reviewing all functional business areas.

b) Remuneration Practices

The Group's remuneration provides executive compensation consisting of the following three elements: basic salaries, annual short-term incentive compensation, and long-term incentive compensation. Employees also receive certain benefits including those pursuant to local statutory requirements and individual employment agreements.

All components are considered in aggregate when evaluating and making decisions with respect to each component. A portion of senior executive compensation is variable and performance-based on both individual and Group performance. The risk implications of incentives created by the Company's remuneration policies are considered as part of the Company's risk management practices.

Basic Salary – Fixed annual cash amount, comprises the base component of total compensation. Established based on role, responsibilities, market conditions. Reviewed annually and revised based on individual and Group performance.

Short-Term Incentive – Variable cash compensation, reflective of annual Group and individual performance. Aligns management and shareholder interests, designed to reward performance consistent with the Company's objectives.

Long-Term Incentive – Equity-based compensation. Includes restricted share incentive plan and performance share option plan under which the Group may periodically grant restricted share awards, restricted share units and options. Designed to incentivize long-term performance, attract talent and promote retention.

Other benefits – Reflective of the location of employees, specific local market practices and benefits. Includes retirement benefits, healthcare, and certain statutory contributions. Consistent with local market practices to remain competitive and attract talent.

The AGL Remuneration Committee ensures that the necessary and appropriate financial and human resources are in place. The Group human resource department conducts periodic reviews to ensure compensation is appropriate.

In general, Non-Executive Board members receive a flat fee for annual service and reimbursement of certain expenses.

c) Pension or Early Retirement Schemes for Members, Board and Senior Employees

The Company maintains defined contribution plans to provide retirement benefits to eligible employees. Contributions, which are managed externally, are based on eligible compensation.

The Company's Non-Executive Directors do not receive pension or retirement benefits.

d) Shareholder Controllers, Persons who Exercise Significant Influence, the Board or Senior Executive Material Transactions

During the year ended December 31, 2022, the ABL returned $30,000 to its parent, AGL through a capital distribution.

During the year ended December 31, 2021, the ABL returned $46,000 to its parent, AGL through a capital distribution and received a $21,000 capital contribution from its parent, AGL.

Fitness and Proprietary Requirements

a) Fit and Proper Process in assessing the Board and Senior Executive

The Company appoints senior executives and members of the Board based on the individual's expertise and experience. All candidates must undergo recruitment and background screening. The Nomination & Governance Committee monitors the composition of the Board, its diversity, skills, expertise, experience, knowledge, and independence. An induction process is undertaken for newly appointed Directors and is an extension of the HR function's regular induction program for employees, with further training given based on individual needs and requirements.

Ascot Group has procedures in place to ensure that all key functions of the business are managed by individuals who are deemed fit and proper to carry out their responsibilities. This involves having measures in place to ensure that relevant individuals have adequate expertise, knowledge, and experience for their specific role ('Fit'), and that their reputation and integrity is appropriate ('Proper'). This also establishes the responsibility for maintaining the fit and proper controls and the relevant reporting processes attached to it. The Company's Fit and Proper Policy is included in the Staff Handbook, to which management is bound. Review of the Fitness and Propriety requirements of Ascot management is an ongoing process and an integral part of Ascot's performance management.

b) Board and Senior Executives Professional Qualifications, Skills and Expertise

The professional qualifications, skills and expertise of the Board and senior management are included in Appendix A.

Risk Management and Solvency Self-Assessment

a) Risk Management Process & Procedures to Identify, Measure, Manage and Report on Risk Exposures

The Ascot Group risk management function is headed by the Group Chief Risk Officer and is responsible for facilitating the risk management framework. The Ascot culture encourages all staff to be involved in risk management, however key members of the risk function are responsible for certain risk sub-groups within the risk register, in addition members of the compliance team ensure compliance with the risk register controls.

Ascot Group has an enterprise-wide approach to risk management. The risk management framework sets out the Company's framework and strategy in order to identify, assess, monitor, manage and report the short and long term risks faced by the Ascot Group. The Company's risk management policies are embedded in the risk management culture of the organization. Risk management is governed by the relevant committee within each entity and with onward reporting to the Ascot Group Board.

ABL leverages the Ascot Group risk management framework whilst maintaining separate accountability within ABL.

Ascot's approach to risk is that every member of staff contributes to the overall risk management of the Company, this is stressed to new joiners during their induction program. The risk management function sits above the business processes and ensures that there are no gaps between the level of control expected by the Board (as defined in the Company's risk appetite) and the actual controls in place.

The key elements of the risk management framework are outlined below.

Risk Identification – Risk identification is one of the first steps in the risk management process and involves understanding what threats exist and how they may make it more difficult to achieve stated business objectives, or even prevent them from being achieved altogether. The risk register records all the material risks that Ascot faces and that have a realistic chance of causing problems. The risk register is maintained by the risk management function who discuss each area on at least an annual basis with the primary risk owners. The details of any proposed changes to the existing suite of risks on the risk register, as informed by the owners, are provided to the appropriate committee for review and approval.

The identification process also includes incidents recorded within a risk management incident log maintained at each operating entity level for any actual or near-miss events. No matter how exhaustive, no management policy or framework can ensure that all risks faced by the Company are eliminated. Therefore, the incident log is an area where any uncaptured risks could surface and inform the identification process as to what areas may be vulnerable.

Risk Assessment – Each identified risk is assessed to estimate the potential for damage that could be caused to the Company, either financially or otherwise. The assessment of the impact and consequences of a risk is carried out by the team/individual best placed to perform the assessment, this may be the specific risk/control owner and/or the risk team. A ranking system is in place to illustrate the severity and frequency of loss for each individual risk sub-group.

Management – Ascot employ various mechanisms to control identified risks and ensure they remain within risk appetites. Ascot's approach is that every member of staff contributes to the overall risk management of the Company. Ascot's approach is that every member of staff contributes to the overall risk management of the Company, this includes the design and implementation of controls within their area, with support and oversight provided by the ERM function as appropriate. The risk register details all the key controls in place for all the key risks identified within the business.

Monitoring and reporting – Monitoring and reporting of risks exists at different levels throughout the Company. A positive risk culture is encouraged across the business within individual teams and business units which enables individuals to understand why they are required to do elements of their job, the consequences of those tasks not being done and consequently seeking ways to improve the control environment and highlighting any areas they think could potentially cause problems within the current control structure. Thus, each individual has a degree of empowerment to discuss issues with their line manager.

Beyond line managers, specific management information is produced that is circulated within the management group and more formally to the committees within the Ascot governance structure. These reports contain information on the key risk metrics that link to the granular risk appetites set for each risk within each risk sub-group.

In addition, the ERM function provides quarterly risk reporting to the respective Boards at Ascot.

Ascot's risk appetite is expressed by quantitative and qualitative risk appetite statements, limits, and tolerances. These appetites are proposed by the Group Executive Team and approved by the Board. Risk appetites are monitored quarterly and reviewed on an annual basis to ensure they appropriately capture the risks faced by the Company and align with the business and strategic objectives.

Ascot are continually looking to ensure the risk management framework is suitable for the requirements of the business as and when it changes. The Board also has the responsibility to challenge the overall framework and where appropriate, propose updates.

Schedules are in place across all entities to ensure that risk owners meet with the risk management function on the risks they are responsible for once a year to confirm the area is well controlled or, if this is not the case, highlighting the areas of concern and the proposals to address these areas. The review is also undertaken against the backdrop of emerging risks to ensure that mitigation is appropriate for the current and future business landscape.

b) Risk Management and Solvency Self-Assessment Systems Implementation

The solvency self-assessment outlines the quantity and quality of capital required to support Ascot Group's strategy and seeks to identify and measure all material risks. The Company's risk management framework outlines risk appetite and tolerance.

Ascot's risk management framework is implemented and integrated into its operations through the systems, processes, procedures, and controls developed by management. The implementation of the solvency self-assessment includes the process by which Ascot Group assesses all the risks faced by the business and the appetite for those risks which, in turn, drives the controls the Company has in place, and the capital needed to support them.

Ascot's Group Solvency Self-Assessment report (GSSA) is prepared on an annual basis, with abridged reporting on a quarterly basis. This may be supplemented by ad hoc reporting, should a material event occur that requires the solvency assessment to be refreshed. The GSSA includes an element of strategic review with consideration given to a forward-looking business plan and the capital required to support the business over time. Included within the GSSA are elements of capital, business performance, strategic information, emerging risks, and risk appetite – all areas required to enable sound decision making.

The Group seeks to manage its capital such that regulatory and rating agency capital requirements are met at all times and adequate capital is available to enable its insurance obligations to be met.

c) Relationship Between Solvency Self-Assessment, Solvency Needs & Capital, and Risk Management

The solvency self-assessment is a continuous process encompassing the business plan, strategy, current and forward-looking risk profile of the business and the quality and quantity of capital required. The process incorporates identification, assessment, monitoring, and reporting of the key risks to the

Company, and to identify the capital necessary to ensure the overall solvency requirements are met. The GSSA is integrated into the Group's broader risk management framework and governance structures, enabling Ascot to:

- Assess the risks the business faces.
- Judge how best to control those risks.
- Report on the adequacy of those controls and risk assessments.
- Monitor capital to ensure it is adequate for the risks faced and is in line with capital risk appetites.
- Plan for future business strategy.

d) Solvency Self-Assessment Approval Process

The production of the GSSA report itself is the overall responsibility of the Risk Function. Contributions to the report are made by a combination of departments including ERM, FP&A, Exposure Management, Operations, Claims, IT and Compliance teams. Each update is reviewed by the Group Executive Team and CFO (with delegated authority from the Board), with a summary of changes/issues arising being included within the Group Executive Team report to the Board. On an annual basis the full Ascot Board and the Executive Committee review the Annual GSSA Report.

Internal Controls

a) Internal Control System

The Company has established an internal control framework encompassing all key controls over the business, both financial and non-financial which enables the Company to achieve its business plan goals within its defined risk appetite. The effectiveness of these controls is regularly reviewed within the Governance structure established at Ascot.

Ascot has a defined organisational structure, with clearly understood lines of responsibility and delegation of authority to help ensure that policies are effectively implemented and adhered to. Through its oversight, the Board is responsible for monitoring controls used to assess and manage exposure to all areas of risk.

Detailed operational procedures are adopted and followed across the Ascot Group in its principal functional activities and are designed to incorporate key controls which are subject to ongoing review to ensure that they are being operated effectively and that they are suitable to manage any significant business risks faced.

A Governance framework is in place to ensure appropriate oversight. This comprises the Board, the sub committees of the Board and the Group Executive Team. Various risk policies and associated procedures are documented. Controls and exception reports around these processes provide management information to the relevant Committee that has responsibility for that area of the business.

A risk governance structure is in place to ensure risks are managed within the risk appetite set by the Board. The Risk Register documents the key risks and associated controls. These risks and controls have owners and are subject to periodic review as part of the risk assessment process.

In addition to the Ascot Group Board, the sub committees of the Board and the Group Executive Team, the Company's risk management, compliance, actuarial, internal audit and the finance functions are key contributors to the governance and oversight of the Group's system of internal controls.

The finance function is responsible for the implementation and maintenance of accounting policies and procedures to ensure the accurate recording and reporting of financial information. The finance function reports to the Ascot Group Chief Financial Officer. The finance function principally comprises professionally qualified accounting staff. The finance function ensures:

- The accuracy of the Company's consolidated U.S. GAAP and annual consolidated statutory financial statements.
- That the Company is compliant with relevant U.S. GAAP accounting policies and standards.
- The Company is compliant with regulatory financial reporting obligations to the BMA.

Compliance Function

The compliance function oversees the governance structure and assists in the internal controls process. Each operating jurisdiction (Bermuda, UK and US) has a compliance function responsible for ensuring compliance with local regulation, legislation and policies and procedures. This encompasses areas such as underwriting authority, money laundering, bribery, corruption, and sanctions. It also includes identification of compliance risk and assessment of the potential impact of changes in the legal and regulatory environment.

Internal Audit

Internal Audit is responsible for providing independent and objective assurance on the operations of each of the entities within Ascot Group. Internal Audit is a key function in the control environment of the Group, ensuring that the policies and procedures are implemented and being carried out correctly and operating effectively at all levels of the organization.

The internal audit function is carried out by Grant Thornton and the recently appointed SVP, Internal Audit and Advisory in the US. Grant Thornton reports directly to the Group Audit Committee. Grant Thornton is currently responsible for Group audits and audits over the UK and Bermuda entities. The SVP, Internal Audit and Advisory along with Grant Thornton is currently responsible for US audits. The SVP, Internal Audit and Advisory reports directly to the Ascot US Audit Committee.

Actuarial Function

The Group Actuarial Function is led by the Group Chief Actuary and each operating jurisdiction has an Actuarial function which includes all individuals performing actuarial work for Ascot including both in-house and external actuarial resource. The actuarial function is responsible for the following areas within the business:

- Establishing Incurred But Not Reported Reserves ("IBNR") and calculating Technical Provisions: including ensuring appropriateness of methodologies, models and assumptions used in the determination of IBNR reserves and calculation of the technical provisions, assessing adequacy and quality of data and comparing best estimates against experience.
- Assisting with the underwriting process, including those surrounding pricing and writing of underwriting contracts.
- Assisting in the execution of the risk management framework, particularly as it relates to modelling techniques used to estimate potential exposures and capital requirements, forward looking analysis and stress testing.

The Group's loss and loss expense reserves are reviewed by reserving committees at each operating jurisdiction. The actuarial work with respect to reserve setting at ABL is supported by the external actuarial team at Ernst and Young ("EY"), overseen by the ABL Chief Actuary. All assumptions and methodologies are ultimately owned by the relevant Ascot Reserving Committee, with challenge from the in-house actuarial team who are represented on the Reserving Committee. EY have a long relationship with Ascot in this capacity and have a deep understanding of our approach to underwriting. Under this arrangement the Group benefits from the industry experience and actuarial reserving capabilities of EY, including their access to a market view of trends and benchmarks.

Outsourcing

a) Outsourcing Policy and Key Functions that have been Outsourced

Ascot supplements its operational resources using outsourcing arrangements. This strategy is supported by investment in in-house managers who control the quality of the outsourced functions. Particular attention has been applied to process design and training to ensure that activities are performed to a level that we would expect if the functions were performed at Ascot. Tight control is maintained using detailed and robust service level agreements (SLAs) and regular monitoring.

The Company's outsourcing policy defines the minimum operational standards, and roles and responsibilities, pertaining to the Appointment and Management of Outsource Service Providers (OSPs).

Terms and conditions for material outsourcing contracts are approved in accordance with the Company's corporate governance and risk management frameworks.

The Company has strategies and controls in place to mitigate the associated risks that are introduced through the outsourced provision of services to the Group. Each engaging company within the Group is responsible for ensuring the design and operation of controls employed by the outsource service provider are commensurate and aligned with Ascot's own risk management framework.

The Board has a responsibility to ensure that an outsourced service does not diminish Ascot's ability to fulfil its obligations to customers, regulators or other stakeholders. Core management functions such as setting strategies and polices, oversight of operational processes, financial responsibility and reporting are not outsourced.

The functions that are either fully or partially outsourced by Ascot to third parties include internal audit, actuarial reserving analysis and the management and accounting of investments.

b) Material Intra-Group Outsourcing

Ascot leverages a global shared service model, through which Group companies have access to operational functions provided by other subsidiaries of the Ascot Group. This allows Ascot to benefit from efficiency, expertise and economies of scale. These arrangements cover support for information technology (infrastructure and services), operations, actuarial, risk management, legal, claims operations, reinsurance, and reporting services.

Risk Profile

Material Risks the Insurer is Exposed to During the Reporting Period

The key risks faced by Ascot Group are summarized below:

Insurance Risk

Insurance risk refers to the fluctuations in timing, frequency, and severity of insured events relative to the expectations at the time of underwriting. Insurance risk can also refer to fluctuations in the timing and amount of claim settlements. Specific examples of insurance risk include variations in the amount or frequency of claims or the unexpected occurrence of multiple claims arising from a single cause. Insurance risk also includes the potential for inadequate pricing or reserving assumptions.

The key components of insurance risk for Ascot include:

- Underwriting risk (including cycle, gross losses, pricing): The risk arising from uncertainties about the ultimate amount of net cash flows from premiums, commissions, claims and claims settlement expenses paid under a contract (prospective in nature).
- Claims management: The risk arising from the uncertainties associated with the quantum of claims that will be paid out on policies underwritten.
- Catastrophes & aggregation and reinsurance risk: The risk arising from concentration of exposures by industry, geography, line of business, a single insured or single insured event, and, in particular:
    - Risk arising from concentration of exposures to catastrophe perils.
    - Clash risk, or risks arising from exposures in which multiple insureds suffer losses from the same occurrence, or the same cause of loss.
- Reserving risk: the risk that the estimation of future claims payments in respect of earned premium is inadequate.

Other components of insurance risk include:

- Broker relationships: the risk that broker relationships are not maintained which could lead to a significant reduction in premium for Ascot.
- Policy wordings: the risk that contract wordings do not reflect the type of insurance coverage the Company believed it was selling and that consequently losses arise in the future that were not considered when underwriting and pricing the policy.

A number of controls are deployed to manage the amount of insurance exposure, which include:

- Defined limits of risks at policy and aggregate level.
- Peer review and grading of insurance policies written, and associated MI provided to relevant committee.
- Clearly defined underwriting authorities and monitoring.
- Rating analysis and detailed management information ("MI") to measure risks accepted.

The effectiveness of risk mitigation techniques is monitored by the Group and ABL Boards through their review of the quarterly risk reports and by management of subsidiary Committees.

Credit Risk

Credit risk is the risk of default of a counterparty or obligor including the risk of default under mitigating contracts like reinsurance, financial instruments, and premium payments from policyholders. It also includes the assessment and management of the aggregation or concentration of credit risk, whether by counterparty, industry or rating.

Credit risk on inwards premium receivables from insureds and cedants is managed by conducting business with reputable brokers with whom the Group has established relationships, and by credit control policies and procedures.

Credit risk on reinsurance recoverables is managed by criteria set for ensuring exposure is limited depending on credit rating of counterparty as well as overall counterparty limits. The review and approval of all reinsurer securities is facilitated by the relevant reinsurance committee.

Operational Risk

Operational risk is defined as the risk of loss, resulting from inadequate or failed internal processes, people and systems, or from external events. In addition, operational risk includes potential exposures to cyber risk. Ascot Group continues to evaluate its controls to defend against potential cyber risk. Ascot controls Cyber risks through a number of methods including firewalls, email scanning and group wide training on IT and cyber security training.

Documented procedures and contingency plans are designed to provide effective and robust operational processes.

Market risk

Market risk is defined as the potential loss in value or earnings arising from changes in the values at which assets and liabilities may be traded as a result of external market and economic factors including:

- Changes in the overall level of interest rates.
- Change in the shape of yield curve.
- Inflation rate changes.
- Changes in the overall level of credit spreads.
- Changes in the shape of the credit spread curve.
- Exchange rate movements.

In addition to the above external factors, market risk may also arise from controllable factors such as concentrations in allocations to specific asset classes. Ascot's investment strategy was developed to manage the impact of market risk to acceptable levels, to the extent possible. The investment strategy ensures diversification and limits concentrations of exposures for example to a particular asset class or sector. Ascot also manages is exposure to currency and duration by aligning the currency and duration of its assets compared to its liabilities. The effectiveness of this risk mitigation is monitored by the Group Investment Committee and by the Group Board through their review of quarterly reporting.

Liquidity Risk

Liquidity risk is the risk that the Company is unable to meet its obligations due to the lack of sufficient liquid assets or is forced to sell assets at a potentially disadvantageous time in order to meet outgoing cash flow and collateral requirements, or has difficulty in raising capital when needed.

Cashflow forecasts are performed to assess the need for liquidity in the event of large losses. The effectiveness of the liquidity risk mitigation techniques is monitored by the Board's Investment Committee.

Group Risk

Group risk is the risk of another part of the corporate group causing damage to the Ascot business via its actions. The damage may be caused by action taken that is directly targeted at Ascot, or indirectly as a result of group activities in other affiliated entities. Group risk includes reputational risk and risk of loss arising from the adverse effect of management decisions on business strategies and their execution.

The Group has employed strategies for managing relationships between intra group entities and understanding of requirements of all jurisdictions which can impact the Group and where necessary plan for alternatives.

Material Risk Concentrations

The Company's Board set tolerances around key risk exposures according to the Board approved risk appetites. These tolerances are monitored by the risk management function and reported to the Board on a quarterly basis. Key exposures include exposure to significant natural catastrophe events.

The Company monitors aggregation of exposure to natural catastrophe events against risk appetites and limits using stochastic catastrophe modelling tools and internally developed aggregation tools. Stress and scenario tests, including Lloyd's and internally developed RDS's are also assessed.

The Company has defined investment guidelines and a conservatively managed investment portfolio to ensure appropriate oversight and monitoring of the investment portfolio. These guidelines reduce the material risk concentrations associated with investment risk.

The assets that potentially subject the Company to concentrations of credit risk consist principally of cash and investments, reinsurance recoverable and premiums receivable balances, as described below. Credit risk is the risk of default of a counterparty or obligor including the risk of default under mitigating contracts like reinsurance, financial instruments, and premium payments from policy holders.

The Company mitigates credit risk through the application of detailed counterparty credit assessments, working to ensure that contractual terms are fit for purpose and that full disclosure of relevant information is made, and through exerting contractual and other credit control measures in pursuit of premium and reinsurance recoverables due.

Cash and Investments - To mitigate concentration and operational risks related to cash and cash equivalents, the Company limits acceptable counterparties based on current rating, outlook and other relevant factors. The Company's cash and cash equivalents are on deposit with various highly rated financial institutions. Credit risk arises from the failure of the counterparty to perform according to the terms of a contract. The Company's deposits are with reputable banks to minimize this risk and are located principally in Bermuda, the U.K. and the U.S.

The Company's investment portfolio is managed by external investment managers in accordance with its investment guidelines. The Company limits credit risk through diversification, by limiting exposure to issuers based on credit rating and, with respect to custodians, through contractual and other legal remedies.

Reinsurance recoverable balances - The Company evaluates the financial condition of its reinsurers and monitors concentration of credit risk arising from its exposure to individual reinsurers.

Reserves for reinsurance recoverables deemed uncollectible are based on an estimate of the amount of the reinsurance recoverable balance that will ultimately not be recovered due to reinsurer insolvency, contractual dispute, or some other reason. The valuation of the reserve for uncollectible reinsurance includes a review of the credit ratings of the reinsurance recoverable by reinsurer on a continuous basis with any resulting adjustments recorded in earnings in the period that collection issues are identified.

Premiums receivable balances - The diversity of the Company's client base limits the credit risk associated with its premium balance's receivable. In addition, for insurance contracts, the Company has contractual rights to cancel coverage for non-payment of premiums and for reinsurance contracts, it has contractual rights to offset premiums receivable with corresponding payments for losses and loss expenses.

Brokers - The Company produces its third-party business through brokers and direct relationships with insurance companies.

The Company has policies and standards in place to manage and monitor credit risk from intermediaries with a focus on day-to-day monitoring of the largest positions. These contractual rights contribute to the mitigation of credit risk, as does the monitoring of aged receivable balances.

Investment in Assets in Accordance With the Prudent Person Principles of the Code of Conduct

Ascot's investment portfolio is managed by external third-party investment managers, under the strategic direction set out in the Company's investment policy guidelines, which is consistent with the Prudent Person Principles of the Code of Conduct. The investment portfolio is diversified and managed with consideration given to market risk, credit risk, interest rate risk, currency risk, and liquidity risk. The Company holds a liquid, highly rated, high quality, low volatility fixed income portfolio in order to support insurance reserves and ensure that claims and obligations can be paid as they fall due.

The investment guidelines are governed by the Investment Committee of the Board and are reviewed on at least an annual basis.

Stress Testing and Sensitivity Analysis to Assess Material Risks

The Company performs stress testing on an annual basis in relation to its material risks in order to determine the adequacy of capital and liquidity to ensure regulatory requirements are met. Stress testing and sensitivity analysis is performed over investment/market risks related to the Company's invested assets, and insurance risk as relates to the Company's underwriting risks and policy liabilities.

Investment/Market risk testing responds to interest rate shocks, market downturns, inflationary pressures, and currency shocks. The results of this are used to assist with determining the strategic direction of the investment allocation and guidelines.

Insurance risk testing includes concentration and aggregation scenario simulation, through the use of catastrophe modelling techniques. The modelled results provide insight and quantification of aggregate and single-event perils, by geographic region and event type, and the potential for clash risk. Catastrophe modelling simulations assist in the identification and subsequent management of underwriting risk.

The results of the Company's stress testing and sensitivity analysis for material risks are reported to the Ascot Board on at least an annual basis.

The most recent stress testing performed by the Company supports the assessment that Ascot has sufficient capital and liquidity to comply with contractual obligations and all capital requirements.

Solvency Valuation

Valuation Bases, Assumptions and Methods to Derive the Value of Each Asset Class

The consolidated financial statements of Ascot Group are prepared in conformity with US GAAP accounting principles and form the basis of preparation for both the statutory financial statements and the economic balance sheet (EBS). The EBS is used by the Company and the BMA in assessing the minimum solvency margin and capital requirement.

Ascot has used the valuation principles outlined by the BMA's "Guidance Note for Statutory Reporting Regime" for the Company's statutory filing for the year ended December 31, 2022. The Company's assets and liabilities are valued on a consistent economic basis under the EBS framework, whereby the potential accounting mismatches are reduced or eliminated - driven by the fair value basis which is applied to assets and liabilities. Fair value is defined as the value that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between open market participants at the measurement date.

The following describes how the fair value principles used for the Company's asset classes are valued for statutory EBS purposes:

- Cash equivalents include money-market funds and fixed interest deposits with a maturity of less than three months when purchased. Cash and cash equivalents are recorded at cost, which approximates fair value due to the short-term, liquid nature of these securities.
- Investments in fixed maturity securities are classified as trading and are carried at fair value, with related unrealized gains and losses recorded in Investment Income (line 31) of Form 2 Statutory Statement of Income.

  Fair values of the Company's fixed maturity securities are based on quoted market prices or, when such prices are not available, by reference to broker quotes and/or internal pricing valuation techniques. Investment transactions are recorded on a trade date basis with balances pending settlement recorded as receivable for securities sold or payable for securities purchased and included within sundry assets and sundry liabilities, respectively. For mortgage-backed and other asset-backed debt securities, fair value includes estimates regarding prepayment assumptions, which are based on current market conditions.
- Accounts Receivable and Premium Receivable are recorded under US GAAP at cost which is

assessed for credit risk. For EBS, receivables are valued in the same way with the exception that any amounts due in more than one year are discounted at the relevant risk-free rate. Premium receivable that is not due or is deferred at the balance sheet date is included within the Company's EBS technical provisions.

- Deferred acquisition costs are included in the premium provision valuation within the Company's technical provision for EBS.

Valuation Bases, Assumptions and Methods to Derive the Value of Technical Provisions

Technical provisions ("TP") are based on the best estimate of future cash flows required to settle the insurance and reinsurance obligations associated with existing business as of December 31, 2022. This also applies to business with inception dates subsequent to December 31, 2022, which has been bound (Bound but not Incepted "BBNI").

In addition, a risk margin is included to reflect the inherent uncertainty contained within the underlying cash flows associated with insurance and reinsurance liabilities. The risk margin is calculated based on the cost of capital approach as described in the BMA's risk margin template. This method calculates the risk margin as the discounted cost of capital, net of investment expenses, required to support the liabilities until settled.

The best estimate for the EBS technical provision is calculated by starting with the US GAAP undiscounted and unpaid gross and net of reinsurance loss and loss adjustment expenses for losses incurred on or prior to December 31, 2021. Technical provisions also reflect future claim estimates on unexpired risks incepting on or prior to December 31, 2021, and BBNI exposures. The TP uses the US GAAP reserves, adjusted for the following:

- Incorporation of expected reinsurance counterparty defaults.
- Incorporate of Events not in Data ("ENIDs").
- Other adjustments related to consideration for investment expenses.
- Discounting of cash flows.

The best estimate of the premium provision is calculated using the unearned premium reserve ("UEPR") on a US GAAP basis, adjusted for BBNI and applying expected future loss ratios, expense ratios and appropriate claims pay-out patterns to derive future expected cash flows.

The provisions are then discounted to take into account the time value of money, using the relevant risk-free interest rate term structures as published by the BMA as of December 31, 2021.

As of December 31, 2022, the total technical provisions amounted to $2,503.6 million comprising the following:

Economic Balance Sheet	Amount $000
Best estimate premium provisions	$21,179
Best estimate loss and loss adjustment expense provisions	$2,238,324
Risk margin	$244,108
Total general business insurance technical provisions	**$2,503,612**

Description of Recoverables from Reinsurance Contracts

The Company uses ceded reinsurance and retrocessional agreements to reduce its net exposures to loss on assumed insurance and reinsurance business. The agreements provide for recovery of a portion of underlying loss and loss adjustment expenses. The Company remains liable to its cedants irrespective of whether reinsurers meet their obligations under the agreements. The Company is exposed to credit risk from these agreements, which is monitored and evaluated on an ongoing basis. Provisions are made for any amounts deemed uncollectible. Reinsurance cover is purchased principally from highly rated reinsurance counterparties, having a credit rating of A- or higher or fully secured by collateral.

Valuation Bases, Assumptions and Methods to Derive the Value of Other Liabilities

Similar to the valuation principles for assets, the Company's liabilities follow the valuation principles outlined by the BMA's "Guidance Note for Statutory Reporting Regime" which values liabilities using a fair value basis for EBS. The Company's other liabilities are valued on a US GAAP basis and obligations expected to be settled in more than one year are discounted using the prescribed discount rates provided by the BMA as at December 31, 2022.

Any Other Material Information

None.

Capital Management

Eligible Capital

a) *Capital Management Policy and Process for Capital Needs, How Capital is Managed and Material Changes During the Reporting Period*

The primary capital management objectives of the Company are to maintain a strong capital base to settle policyholder claims, support the development of its business and to meet regulatory and rating agency capital requirements at all times. The Company recognises the impact on shareholder returns of the level of capital employed and seeks to maintain an appropriate balance. Ascot strives for an appropriate capital structure that efficiently allocates capital according to the Company's risk profile and appetite.

The Company's capital and risk management strategy are primarily unchanged since incorporation. As at December 31, 2022 the capital resources of Ascot Group comprise U.S. GAAP shareholders' equity of $1.4 billion (December 31, 2021: $1.7 billion) and $400 million principal amount of 4.25% Senior Notes which are due December 13, 2030. The senior notes may not be redeemed or repaid at any time including on the scheduled maturity date without approval from the Bermuda Monetary Authority if the enhanced capital requirements of the Group would be breached immediately before or after giving effect to the redemption of such notes, unless, in each case, the Company replaces the capital represented by the notes to be redeemed with capital having equal or better capital treatment as the senior notes under applicable BMA rules. The senior notes were approved as Tier 3 capital by the BMA. The Company holds capital in excess of the BMA regulatory capital requirements.

To maintain a strong capital base, the Company identifies, assesses, manages and monitors the various risk sources it faces in the course of business both currently and as anticipated in the future. This process culminates in an assessment of the capital necessary to maintain solvency at the threshold targeted by senior management given the Company's risk profile and appetite. The Company's risk profile includes an assessment of the current and anticipated future material risks faced by the Company, the strength of the organisation's enterprise risk management, capital measures derived from proprietary and/or vendor models, qualitative risks, stress testing, liquidity.

Surplus capital is available to be either paid out in dividends or distributed as a capital return to the Company's parent, or, alternatively, capital can be utilized to support future growth throughout the Ascot Group. Ascot Group aims to generate positive cash flows from its insurance operations and investment portfolio in order to support future growth and preserve capital to support policyholder liabilities.

b) Eligible Capital Categorized by Tiers in Accordance to the Eligible Capital Rules Used to Meet ECR and MSM Requirements of The Insurance Act

As of December 31, 2022, the eligible capital resources available to satisfy regulatory requirements of the Minimum Margin of Solvency ("MSM") and Enhanced Capital Requirement ("ECR") was as follows:

Ascot Group

$000's	Eligible capital available to support MSM	Eligible capital available to support ECR
Tier 1	1,453,365	1,453,365
Tier 2	59,502	59,502
Tier 3	-	267,021
Total	**1,512,867**	**1,779,888**

The Group's Senior Notes were approved as Tier 3 capital by the BMA. The Group's remaining capital is principally Tier 1, the highest quality capital, consisting of capital stock, contributed surplus and statutory surplus. The Group has less than $0.1m Tier 2 capital, representing amounts transferred from Tier 1 to Tier 2 in respect of encumbered assets supporting policyholder obligations that are in excess of the underlying policyholder obligations.

Ascot Bermuda

$000's	Eligible capital available to support MSM	Eligible capital available to support ECR
Tier 1	1,815,425	1,815,425
Tier 2	59,501	59,501
Tier 3	-	-
Total	**1,874,926**	**1,874,926**

Over 99% of ABL's capital is Tier 1, the highest quality capital, consisting of fully paid common shares, contributed surplus and statutory surplus. ABL has less than $0.1m Tier 2 capital, representing amounts transferred from Tier 1 to Tier 2 in respect of encumbered assets supporting policyholder obligations that are in excess of the underlying policyholder obligations. ABL has no Tier 3 capital.

c) *Confirmation of Eligible Capital That is Subject to Transition Arrangements*

The Group has no eligible capital that is subject to transitional arrangements.

d) *Identification of Any Factors Affecting Encumbrances on the Availability and Transferability of Capital to Meet the ECR*

AGL is party to a net worth maintenance agreement with AIC, ASIC and AmFed whereby AGL will provide liquid assets to AIC, ASIC and AmFed to the extent needed to ensure AIC, ASIC and AmFed maintain a minimum risk-based capital ratio (RBC) of at least 350% at all times.

ABL has provided assets in the form of fixed maturity securities and cash to satisfy Funds at Lloyd's (FAL) requirements for ACNL, an indirect subsidiary. As of December 31, 2022, the value of the assets pledged by ABL was $447 million, in addition ABL has pledged a letter of credit with face value $250m for ACNL's FAL, which may be collateralized at the option of the Company. The FAL and letter of credit facility are used to support underwriting capacity provided by ACNL to Syndicate 1414 to underwrite insurance business through Lloyd's. In addition, ABL holds cash and investments to satisfy other Lloyd's requirements including Premium Trust Deeds, Funds in Syndicates and overseas deposits.

The Group through ABL and its subsidiaries holds cash and investments which are on deposit with U.S. insurance regulators to meet certain statutory requirements and also collateral to support bank credit facilities and certain insurance and reinsurance transactions. In addition, through its Ethos MGU business, the Group acts as a fiduciary for various insureds and in this role holds cash received from premiums and other amounts collected.

The availability and transferability of Ascot Group and ABL capital is also impacted by the individual solvency requirements of its regulated insurance subsidiaries.

e) *Identification of Ancillary Capital Instruments Approved by the Authority*

On March 5, 2021, the Group's Senior Notes due 2030 were approved by the Authority to be recorded as Other Fixed Capital on the Statutory Statement of Capital and Surplus on Form 8 Line 1 (c) and as Tier 3 Ancillary Capital.

f) Identification of Differences in Shareholders' Equity as Stated in the Financial Statements Versus the Available Capital and Surplus

The following is a reconciliation of the AGL US GAAP shareholders' equity to available statutory capital and surplus as of December 31, 2022:

Reconciliation of US GAAP to BSCR (EBS) Capital	**December 31, 2022 ($000)**
Shareholders' Equity per US GAAP	**1,419,069**
Non-admitted prepaid expenses	(16,733)
Goodwill and intangible assets	(219,593)
Deferred tax assets	37,294
Tier 3 Ancillary Capital (Senior notes)	267,021
Statutory Capital and Surplus	**1,487,058**
Gross loss and loss expense provision	326,197
Gross premium provisions	356,271
Reinsurance recoverable	(111,194)
Risk margin	(244,108)
BSCR (EBS) Economic Capital and Surplus	**1,814,224**
Encumbered assets not securing policyholder obligations	(34,336)
Total Available Statutory Economic Capital and Surplus	**1,779,888**

Regulatory Capital Requirements

a) ECR and MSM Requirements at the End of the Reporting Period

As of December 31, 2022 (the end of the reporting period), the Group and ABL's regulatory capital requirements were as follows:

Ascot Group	**Amount ($000)**	**Ratio %**
Minimum Solvency Margin	526,639	347%
Enhanced Capital Requirement (BSCR)	1,085,003	167%

Ascot Bermuda	**Amount ($000)**	**Ratio %**
Minimum Solvency Margin	271,793	702%
Enhanced Capital Requirement (BSCR)	1,087,171	176%

b) Identification of Any Non-Compliance with the MSM and the ECR

The Group and ABL were compliant with the MSM and ECR requirement at the end of the reporting period.

c) A Description of the Amount and Circumstances Surrounding the Non-Compliance, the Remedial Measures and Their Effectiveness

Not applicable.

d) Where the Non-Compliance is not Resolved, a Description of the Amount of the Non-Compliance

Not applicable.

Approved Internal Capital Model

a) Description of the Purpose and Scope of the Business and Risk Areas Where the Internal Model is Used

Not applicable – the Group has not applied to have an internal capital model approved to determine regulatory capital requirements.

b) Where a Partial Internal Model is Used, Description of the Integration with the BSCR Model

Not applicable.

c) Description of Methods Used in the Internal Model to Calculate the ECR

Not applicable.

d) Description of Aggregation Methodologies and Diversification Effects

Not applicable.

e) Description of the Main Differences in the Methods and Assumptions Used for the Risk areas in the Internal Model Versus the BSCR Model

Not applicable.

f) Description of the Nature & Suitability of the Data Used in the Internal Model

Not applicable.

Any Other Material Information

None.

Subsequent Events

None noted in addition to those already disclosed in this report. Subsequent events following the year ended December 31, 2022 have been evaluated up to and including May 30, 2023, the date of issuance of the group financial condition report.

Declaration on Financial Condition Report

To the best of our knowledge and belief, we the undersigned confirm that the Financial Condition Report fairly represents the financial condition of Ascot Group Limited, in all material respects.

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Jonathan Zaffino

Group Chief Executive Officer & President

May 30, 2023

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Joseph Roberts

Chief Financial Officer

May 30, 2023

Appendix A

Samuel Blaichman – AGL Non-Executive Investor Director

Sam Blaichman is Managing Director, Head of North America, Direct Private Equity at CPP Investments. Prior to joining CPP Investments in 2007, Sam worked as a management consultant at Bain & Company, an investment banker at CIBC World Markets and in PricewaterhouseCoopers' Corporate Finance and Assurance groups.

Peter Busse – Non-Executive Investor Director

Peter Busse is Managing Director, Portfolio Value Creation for CPP Investments. Peter joined CPP Investments in 2014 and is involved in identifying and implementing value-creation opportunities across CPP Investments direct equity investments portfolio. Previously, Peter was a Director with AlixPartners LLP.

Andrew Brooks – Non-Executive Director Ascot Group

Andrew served as Chief Executive Officer of Ascot Group until February 2023 having joined Ascot at its inception in 2001. Andrew has worked in the Lloyd's Market since 1983 and is currently a member of the Council of Lloyd's and the Lloyd's Market Association and London Market Group Boards. Andrew is ACII qualified.

Mary Chen – Non-Executive Investor Director

Mary Chen is Principal, Direct Private Equity for CPP Investments. Mary joined CPP Investments in 2016. Previously, she was in the Strategy & Corporate Development team at CIBC where she focused on strategic acquisitions, investments, and dispositions.

Neill Currie – AGL and ABL Executive Chairperson

Neill is Executive Chairperson of Ascot Group and ABL. He co-founded Renaissance Re Holdings in 1993 and served as its Chief Executive Officer from November 2005 to July 2013. He served as a director of Platinum Underwriters Holdings from 2003 to 2005. Neill began his career as a reinsurance broker in the United States in 1976 and served in various senior capacities as a broker until forming Renaissance Re.

Katherine Chung – Non-Executive Investor Director

Katherine Chung is Managing Director, Direct Private Equity for CPP Investments. Katherine joined CPP Investments in 2017 and is responsible for financial services private equity investments in Europe. Prior to joining CPP Investments, she was a Principal at Crestview Partners leading and managing investments in insurance, specialty finance and business services. Previously, Katherine was a Principal in Blackstone's private equity group, in both New York and London, and invested across a variety of sectors, with a focus on financial services and has also held positions at Capital Z Partners and Morgan Stanley.

Sir Richard Dearlove - Non-Executive Independent Director

In addition to his role as independent non-executive director of Ascot Group Limited, Sir Richard has served as independent non-executive Chairman of Ascot Underwriting Limited since 28 November 2006. Sir Richard received a MA Cantab, from the Queen's College, Cambridge University in 1966. Sir Richard is a former Chief of the Secret Intelligence Service (SIS).

Elizabeth Duncan – Financial Controller, ABL

Elizabeth has served as ABL's Financial Controller since 2018. Prior to joining ABL in 2018, Elizabeth was VP Corporate Finance at Enstar Group Limited between 2014 and 2018, after starting her career in financial services with KPMG in 2007. Elizabeth is a Member of the Institute of Chartered Accountants Australia and New Zealand.

Alexander D'Urso – Chief Risk Officer, ABL

Alex has served as ABL's Chief Risk Officer since 2018. Alex joined Ascot in 2016 to lead the capital modelling team in London prior to his promotion to Chief Risk Officer in Bermuda in 2018. Alex is a Fellow of the Institute and Faculty of Actuaries (UK) with over ten years insurance experience in consultancy and insurance companies.

Michael Grayston – Treasurer, ABL

Michael has served as ABL's Treasurer and Ascot Group Treasurer since 2018. Prior to joining Ascot, Michael held the position of Treasurer and VP Investments for Ironshore Inc. from 2013 to 2018. He was Head of Business Development for HSBC Global Asset Management in Bermuda from 2011 until 2013, and prior to that held various treasury and investment roles with the ACE Group of Companies.

Thomas Kalvik – Non-Executive Investor Director

Tom Kalvik is Managing Director, Private Investments – Direct Private Equity (Financial Institutions Group) for CPP Investments. Prior to joining CPP Investments, Tom worked at Goldman Sachs in New York in their Merchant Banking Division. Prior to that, he worked in Goldman's Investment Banking Division, where he was a part of their Financial Institutions Group.

Simon Kimberley – Chief Underwriting Officer - Property, ABL

Simon is Chief Underwriting Officer of Property in Bermuda. He joined Ascot in 2004 and worked in the London office for 10 years before moving to Bermuda in 2014. He began his career in the Lloyd's market in 1997, originally as a broker and moved into underwriting in 2001. Simon holds an Advanced Diploma in Insurance.

Mark Pepper – Group Chief Underwriting Officer

Mark is Ascot's Chief Underwriting Officer. He began his career in insurance in 1987 and joined Ascot at its inception in 2001 to lead the Syndicate's Treaty underwriting team. He was promoted to the role of Chief Underwriting Officer in 2009 and is a member of the Ascot Underwriting Limited Board of Directors. Mark is ACII qualified.

Joseph Roberts – Chief Financial Officer, Ascot Group and ABL

Joe is Chief Financial Officer of Ascot Group and ABL, having joined the Group in October 2017. Previously Joe served as Chief Financial Officer for Ironshore Inc. from 2013 to 2017 and Alterra Capital Holdings Limited from 2007 to 2013. He started his career in financial services in 1987. Joe is a Fellow of the Institute of Chartered Accountants in England and Wales.

Mark Smith – Group Chief Risk Officer

Mark is Ascot's Group Chief Risk Officer. He qualified as a chartered accountant with Ernst & Young in 1994 and has worked in the Lloyd's market since 1996. He joined Ascot in 2003 as Business Development Manager, later becoming Finance Manager. In 2006 he took on the role of Risk Manager. Mark was appointed to the Ascot Underwriting Limited Board in 2011 as Risk Director. He took on the current role of Group Chief Risk Officer in 2017.

Susan Sutherland - Non-Executive Independent Director

Susan is Non-Executive Director of Ascot Group Limited. She is an Independent Trustee of the Eaton Vance Funds in Boston, Massachusetts and previously served as a Non-Executive Director of Montpelier Re Holdings (Pembroke, Bermuda) and Hagerty Holdings (Traverse City, Michigan). Susan had a 30-year career with the U.S. law firm of Skadden, Arps, Slate, Meagher & Flom LLP.

Ian Thompson – Chief Executive Officer, ABL

Ian is CEO of ABL. He joined Ascot in 2017 as Head of Casualty & Specialty, before promotion to Executive Vice President and Chief Underwriting Officer, Casualty & Specialty in 2020 and was promoted to CEO in February 2021. Ian joined Ascot after almost a decade at Hiscox Re as Head of Casualty & Specialty in Bermuda, before moving to Hiscox Re he worked at Catlin, heading the Healthcare and Professional Lines practice in London.

Murray Wallace - Non-Executive Independent Director

Murray Wallace is a Non-Executive Director of Ascot Group Limited. Previously he served as President and CEO of Saskatchewan Government Insurance and CEO of Wellington Insurance, both property and casualty insurers in Canada. A Chartered Accountant, Murray has held the posts of Deputy Minister of Finance and Deputy Minister to the Premier in the Government of Saskatchewan, a Canadian province.

Jonathan Zaffino – Chief Executive Officer, Ascot Group

Jonathan is Chief Executive Officer and President of Ascot Group Limited and a member of the Board. He is also a Director and CEO (pending regulatory approval) of Ascot Underwriting Limited, the managing agent of Syndicate 1414. From 2020 to February 2023, he was Group President with executive responsibility for the Group's U.S. and Bermuda insurance and reinsurance platforms. Before joining the company in 2020, he was President and CEO of Everest Insurance and Executive Vice President of Everest Re Group, Ltd. Prior to this, he was a Managing Director at Marsh before being appointed President of Victor O. Schinnerer's U.S. operations – a Marsh subsidiary. Throughout his 26-year career, Jon has held several Executive and Management positions at leading organizations across the underwriting and brokerage communities, having started his career at Chubb & Son.